

## External Business Environment and Performance of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria

YEPWI, Sabo Atandu Isaac (Ph.D.)<sup>1</sup>, AGU, Monica Nnenna (Ph.D.)<sup>2</sup>, UTORUWEI, Bebai Sampson<sup>3</sup>

<sup>1,3</sup>Department of Business Administration, Nasarawa University, Keffi

<sup>2</sup>Department of Entrepreneurship Studies, Nasarawa State University, Keffi

**ABSTRACT:** The study examined the effect of external business environment on performance of SMEs so as to contribute to existing studies, as well as to disseminate findings to enhance SMEs performance in Bayelsa State. The study employed survey design. The study population comprised SMEs registered with Small and Medium Enterprise Development Agency of Nigeria in Bayelsa State with the total of 4,535. The Taro Yamane formula was used to obtain a sample size of 478. The study employed the multiple regression analysis and the findings revealed taxation policy has a significant and positive effect on sales revenue, the analysis of insecurity and market growth shows a negative and significant effect of insecurity on SMEs market growth potentials. In conclusion, taxation policy, and insecurity had a significant effect on service quality, sales revenue, and market growth respectively. It was recommended that in order to augment overall performance, SMEs should always ensure adequate scan of the external business environment to identify potential threats and opportunities within their operating environment. In addition, the government should levy a lower tax to enhance increase in revenue base of SMEs. The research also recommends that the government, industry, and individual should ensure that contributions are made at all levels to improve and better the state of Nigeria's security.

**KEYWORDS:** External business environment, Taxation, Insecurity, SMEs, Performance

### INTRODUCTION

The business environment globally is perceived to influence the performance of enterprises. The external business environment consists of extraneous factors that are beyond the control of the businesses and cannot be manipulated by the business enterprise management. The business enterprise is obliged to be cognizant with its operating environment in order to heighten its performance (Priem, & Dess, 2021). Furthermore, the environment and business enterprises are in a mutually interdependent interaction. This is because an enterprise exists in the world of threats, resources, limitations, and opportunities. Several factors influence the performance of Small and medium enterprises and tend to make their operating environment unsafe for investment and unfriendly. Thus, there is need for knowledge of these factors and how they influence an enterprise performance (Nwoke & Udeorah, 2020). SMEs (Small and Medium-Sized Enterprises) are the backbone of the Nigerian economy, contributing significantly to employment, innovation, and economic growth. However, their performance is heavily influenced by the external business environment. The external business environment plays a crucial role in shaping the performance and sustainability of Small and Medium Enterprises (SMEs) in developing economies like Nigeria (Olawale et al., 2020). Bayelsa State, located in the Niger Delta region of Nigeria, presents a unique context for studying SME performance due to its rich natural resources and complex socio-economic challenges.

SMEs are widely recognized as key drivers of economic growth, job creation, and poverty alleviation in Nigeria (Adebisi & Bakare, 2019). However, these enterprises face numerous challenges stemming from the external business environment, which can significantly impact their performance and survival. The external business environment encompasses various factors, including economic conditions, government policies, technological advancements, and market dynamics (Oladele et al., 2021). In recent years, Bayelsa State has experienced fluctuations in its economic landscape, largely influenced by the volatility of the oil and gas sector, which dominates the region's economy (Ebitu et al., 2022). This volatility has created both opportunities and challenges for SMEs operating in the state. Moreover, the COVID-19 pandemic has further complicated the business environment, forcing SMEs to adapt to new realities and disrupting traditional business models (Akpan et al., 2021).

Taxation impacts SMEs in various ways, influencing their financial decisions, operational strategies, and overall competitiveness. Recent studies have highlighted that the tax burden on SMEs can be disproportionately high compared to larger corporations, potentially hindering their growth and sustainability (Nwoke & Udeorah, 2020). This disparity is often attributed to the complex tax

# External Business Environment and Performance of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria

systems, compliance costs, and limited resources available to smaller businesses for tax management. Insecurity has a significant and multifaceted impact on the performance of Small and Medium Enterprises (SMEs). Insecurity often forces SMEs to invest in additional security measures, leading to higher operational costs. This includes expenses for physical security, cybersecurity, and insurance (Akpan et al., 2021). These increased costs can strain the already limited financial resources of SMEs, potentially reducing their profitability and ability to invest in growth opportunities.

Small and medium enterprises (SMEs) are pivotal to the economic development of both developed and developing countries, contributing significantly to employment, innovation, and GDP growth. Despite their importance, SMEs globally face numerous challenges that stem from their external business environments. The external business environment includes a myriad of factors such as economic conditions, political stability, technological advancements, social dynamics, and ecological concerns, all of which can profoundly impact the performance and sustainability of SMEs. In view of the above this study seeks to investigate the effect of external business environment on the performance of SMEs in Bayelsa State Nigeria.

## Statement of the Problem

The aim of businesses especially small ones is to grow into larger corporations and not only that but also sustain their successes continuously. This explains why small and medium scale (SMEs) owners all over the world and indeed in Nigeria invest much capital and human resources into their operations. In Bayelsa State of Nigeria also, the case is no different as SMEs continue to device means of improving their operations and consolidating on their successes. However, despite the huge investments made by SMEs the survival rate of SMEs in Bayelsa state has remained abysmal as 3 in every 5 die within one (1) year of set up and those surviving are witnessing stagnation and/or decline in the level of performance which if not checkmated could see them trolling the path of total collapse and closure.

The level of investment leading to zero or poor return suggests that the SMEs have engaged and continued to review their immediate environment with the view to finding solutions and hence the need to explore other factors especially those outside the control of SMEs and see how they affect the SMEs performance and hence this study which seeks to examine the effect of external business environmental factors on performance of small and medium enterprises in Bayelsa state.

## RESEARCH QUESTIONS

The following questions were formulated to guide this study.

What effect does taxation have on SMEs performance in Bayelsa State?

What is the effect of insecurity on SMEs performance in Bayelsa State?

## OBJECTIVES OF THE STUDY

The main objective of the study is to examine the effect of the external business environment on the performance of SMEs in Bayelsa State. The specific objectives are to:

- i. evaluate the effect of government taxation on performance of SMEs in Bayelsa State;
- ii. assess the effect of insecurity on performance of SMEs in Bayelsa State.

## Statement of Hypotheses

The following null hypotheses were formulated to guide this study.

**H<sub>01</sub>:** Taxation has no significant effect on SMEs performance in Bayelsa State.

**H<sub>02</sub>:** Insecurity has no significant effect on SMEs performance in Bayelsa State.

## LITERATURE REVIEW

### External Business Environment

Hitt et al. (2020) define the external Business Environment as the set of factors and conditions outside the firm's boundaries that significantly influence its operations and performance. It includes general environmental factors such as demographic, economic, political/legal, sociocultural, technological, and global forces, as well as industry environment factors like threat of new entrants, power of suppliers, power of buyers, threat of substitute products, and intensity of rivalry among competitors. Business Environment refers to the sum total of all external and internal factors that influence a business organization. It encompasses the dynamic and interrelated set of conditions, events, and influences that shape the opportunities, challenges, and constraints within which a business operates and makes decisions. This environment includes economic, social, political, technological, legal, and competitive forces that can impact the organization's performance, strategy, and sustainability (Johnson et al., 2020). According to Wheelen et al. (2021), the external Business Environment is the complex set of political-legal, economic, sociocultural, technological, environmental and demographic factors that present opportunities, threats, and constraints for the organization. These factors operate at global, national, regional, and local levels, creating a dynamic context within which the firm must navigate to achieve its

## **External Business Environment and Performance of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria**

objectives. The external business environment refers to "the set of external factors, forces, situations, and events outside the organization that influence its performance and strategies" (Worthington & Britton, 2018). These factors are dynamic and include market conditions, demographic changes, ecological trends, and global economic shifts that impact business operations.

Businesses operate in many different environments which include; the macro environment, which is regarded to as the whole world in today's global economy where events often in some way impact on businesses and also the micro-environment which encompasses local events and situations that interact with a business and has a direct effect on business (Tijani- Alawe, 2004). Furthermore, DFID (2003) and ILO (2004) stated that the business environment consists of external elements that have an effect on the development and SMEs performance. White (2004) refers to the connection linking SMEs performance to their external environmental factors as the whole lot from outside the business enterprise that affects its' performance such as policies, laws, insecurity, corruption, infrastructure, financial support, and culture.

### **Taxation**

Taxation is defined as the process by which a government imposes a financial charge or levy upon its citizens and businesses to fund public expenditures and services (Gruber, 2019). This includes various forms of taxes such as income tax, sales tax, property tax, and corporate tax, which are essential for the functioning of government operations and the provision of public goods. Saez and Zucman (2020) viewed Taxation as the mandatory financial contribution imposed by a government on individuals, businesses, and other entities to support governmental activities and services. These contributions are critical for redistributing wealth, funding public projects, and maintaining the economic infrastructure. According to Rosen and Gayer (2018) taxation is a system whereby governments finance their expenditure by imposing charges on citizens and corporate entities." This system is integral to economic policy, affecting both microeconomic behaviors (such as consumption and investment) and macroeconomic outcomes (such as growth and inflation).

Tax is a compulsory removal of money from individuals or corporate bodies' income by a public authority for the purpose of governance by means of contributions from (Afubero & Okeye, 2014). Additionally, Olotu (2012) sees taxation as an instrument that can be used to accomplish explicit economic objectives of nations. For example, in Nigeria, governments sometimes initiate tax incentives and attractive tax exemptions for the purpose of attracting and retaining local and foreign investors. To the government, tax administration is a device to perk up gross domestic product, stimulate economic development, and bring about complimentary balance of payments with other countries.

### **Insecurity**

Insecurity is described by Peterson and Oughton (2019) as a condition in which individuals or communities experience a lack of reliable protection and safety, resulting in fear and vulnerability." This can be caused by factors such as crime, unemployment, and political instability, which undermine the sense of security and well-being. According to the World Economic Forum (2021), insecurity encompasses the persistent and pervasive presence of risks that threaten the stability and security of individuals, communities, and nations. Grupe and Nitschke (2020) opined that insecurity is defined as a persistent state of uncertainty and vulnerability characterized by a lack of confidence in one's ability to predict, control, or cope with potential threats or negative outcomes. It encompasses both cognitive and emotional components, manifesting as heightened vigilance, worry, and a tendency to interpret ambiguous situations as threatening.

Insecurity can be viewed from two perspectives. First and foremost, insecurity is the condition that constitutes the threat or intimidation of being prone to mischief or harm. The Nigeria insecurity condition can, and in a lot of cases, in point of fact halted business operations at some point in the periods of violent behavior and in addition caused the outright shutting down of lots of business enterprises particularly in the vicinities where the occurrence of insecurity is rampant, in a bid to save from harm business property and their operators (Nwagbosa, 2012). In addressing the security challenges in the Nigeria business environment, political violence is one of the security challenges in Nigeria.

### **Performance**

Performance has been defined as the resultant of efforts in form of activities of the business enterprise which includes its strategy and operational activities, management of all segments of business enterprise such as the human resources, finance, production, marketing (Leitner, 2000). Business performance is the effort expended by an enterprise so as to reach and achieve its stated objectives which could include: its employee's satisfaction, its customer's satisfaction, the societal satisfaction, its survival, sales growth, and return on investment, employment, and ultimately profitability. This means performance is actual output as against expected output (Mark & Nwaiwu, 2015).

Furthermore, Mark and Nwaiwu (2015) added that business performance entails how well the business enterprise is managed in terms of the value perceived by customers in relation to the organization's delivery and other stakeholder should be acknowledge

## **External Business Environment and Performance of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria**

when defining performance. Kennerley and Nelly (2003) explained performance looking at the nonfinancial indicator that is the operational performance indicator. According to Banker, Potter, and Srinivasan (2000), financial statistics has been argued to be an insufficient measurement of performance. The nonfinancial performance indicator includes: employee satisfaction, value of the company, market share, customers' satisfaction, new product introduction, market effectiveness, product quality, technology, manufacturing value-added, and so on. Performance

### **EMPIRICAL REVIEW**

#### **Taxation and SMEs performance**

Asare and Adu-Gyamfi (2022) studied the effect of Taxation on the Performance of Small and Medium Enterprises in Ghana. The researchers conducted a quantitative study to investigate the impact of taxation on the performance of SMEs in Ghana. The researchers used a survey method, distributing structured questionnaires to 400 SME owners and managers in Accra, the capital city. The survey collected data on key performance indicators such as revenue, profitability, and growth, as well as on perceptions of the tax burden, compliance costs, and the complexity of tax regulations. The data were analyzed using multiple regression analysis. The study found that high tax rates and complex tax regulations negatively affected the performance of SMEs.

Sharma and Singh (2021) examined the effect of Taxation and Performance of SMEs in Developing Economies: A Case Study of India, they used a mixed-methods approach, combining a survey of 250 SMEs in New Delhi, India, with in-depth interviews with 20 SME owners. The survey collected quantitative data on performance indicators such as revenue growth, profitability, and investment levels, as well as perceptions of the tax system's complexity and fairness. Interviews provided qualitative insights into the challenges posed by taxation. Data were analyzed using regression analysis and thematic analysis. The study found that high tax rates and complex tax regulations significantly hindered SME performance.

Sousa and Pontes (2023) conducted an empirical study to investigate the impact of taxation on the performance of small and medium enterprises (SMEs) in Portugal. The researchers employed a quantitative research design, utilizing panel data analysis on a sample of 4,921 SMEs over a 5-year period from 2014 to 2018. The study used multiple linear regression analysis to examine the relationship between the variables, the findings showed that taxation has a positive and significant effect on performance.

Luca and Marino (2024) conducted an empirical study to examine the effect of tax complexity on the performance of SMEs in Italy. The researchers employed a mixed-methods approach, combining quantitative analysis of survey data and qualitative interviews with SME owners and managers. The quantitative analysis involved a sample of 2,500 SMEs and utilized multiple regression models to assess the relationship between the variables., the result showed a positive and significant effect of tax on the performance of SMEs.

#### **Insecurity and SMEs Performance**

Afolabi et al. (2023) studied the effect of Insecurity on the Performance of Small and Medium Enterprises in Nigeria, This study employed a mixed-methods approach. Quantitative data was collected through a structured questionnaire administered to 300 SME owners/managers in Lagos, Nigeria, selected through stratified random sampling. The questionnaire measured perceived insecurity levels and various performance indicators. Qualitative data was gathered through in-depth interviews with 15 SME owners. The researchers used multiple regression analysis to examine the relationship between insecurity and SME performance. The study found a significant negative relationship between perceived insecurity and SME performance.

Chen and Wang (2023) studied the effect of Insecurity and SME Performance: A Comparative Study of Urban and Rural China, This research used a longitudinal design, collecting data from 500 SMEs (250 urban, 250 rural) over a three-year period (2018-2020). The researchers employed a structured questionnaire to gather data on perceived insecurity (measured on a 5-point Likert scale) and objective performance metrics (e.g., annual revenue, profit margins, market share). The study used panel data analysis techniques, specifically fixed-effects models, to control for time-invariant unobserved heterogeneity. Findings showed that Insecurity had a significant negative effect on SME performance in both urban ( $\beta = -0.328$ ,  $p < 0.01$ ) and rural ( $\beta = -0.456$ ,  $p < 0.001$ ) settings.

Njeru and Mugo (2021) examined the effect of Insecurity and the Performance of Small and Medium Enterprises: Evidence from Kenya, The study employed a cross-sectional survey design to explore the effect of insecurity on SME performance in Nairobi, Kenya. The study sampled 250 SMEs using stratified random sampling. A structured questionnaire was administered to collect data on various aspects of business performance, including revenue growth, market expansion, and operational efficiency, alongside measures of perceived insecurity. The researchers used multiple regression analysis. The results indicated that higher levels of insecurity were associated with poorer performance outcomes for SMEs.

### **THEORETICAL FRAMEWORK**

#### **The Stakeholder and Competitive Value Approaches**

# External Business Environment and Performance of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria

The father of the stakeholder theory is Freeman Edward. The basis for performance under these approaches is the ability of the organisation to meet the needs and expectations of the external stakeholders (individual or group who can affect or is affected by the firm's achievement of its' objectives) such as competitors, financiers, employees, government bodies, owners, the community, customers, trade unions and suppliers (Phillips, 2013). The stakeholder perspective of the firm entails the general explanation of sustainable development which takes into great consideration the task of fulfilling the requirements of a firm's stakeholders with the void of compromising the firm's capacity to fulfill the requirements of future stakeholders. The stakeholder and competitive value approaches are long-term tools and are concerned with meeting the expectations as well as the needs of external stakeholders. The stakeholder theory dwells on the priority of external stakeholder, while competitive approach dwells on effectiveness, efficiencies, and flexibility of the enterprise in using resources to meet up with the external pressures (Donaldson & Preston, 1995).

An application of this framework to SMEs performance is a good example of private sector performance measurement setback because the SME sector has a large figure of service providers and stakeholders which are habitually subject to extreme disparagement for apparent failures in the SMEs performance. In actuality, reports of failure in the SME sector are so recurrent in Nigeria, and it is easy to believe that SME failure is persistent and the owners/managers are either forced to close down their businesses or relocate due to one external environmental factor effect or the other. Therefore, in order to measure SMEs performance in terms of job creation and service quality, the stakeholder approach to performance measurement was adopted, while measuring the market growth and sales revenue performance indicators was employ the competitive value approach.

## METHODOLOGY

This study adopted the survey research design, The population for the study consisted of the Small and Mediums Enterprises (SMEs) that operate their businesses in Bayelsa State and also registered with Small and Medium Enterprises Development Agency of Nigeria. The figures of SMEs listed with SMEDAN as at, 2021 is 4,535. The study area covered the SMEs operating in Bayelsa State for the reason that most of the registered SMEs in South-South Nigeria are facing serious environmental challenges particularly Bayelsa State. The sample size for this study was established with the use of the Taro Yamane (1967) statistical formula. This formula relates the population size to the level of significance as illustrated below:

$$n = \frac{N}{1 + N(e^2)}$$

Where

n = Sample Size Desired

N = Overall Population

e = Tolerated/assumed error limit 0.05 on the basis of 95% confidence level

Therefore,

$$n = \frac{4,535}{1 + (0.05^2) 4,535}$$

$$= \frac{4,535}{12.3375}$$

$$= 368 * 0.30 = 110$$

$$= 368 + 110$$

$$= 478 \text{ (plus 30\% of calculated sample size to allow for non-response and wrongly filled questionnaire (Oginni \& Adesanya, 2013).)}$$

The required data for this study was taken from primary source. The primary data were generated from representative sample which are the owners/managers of the registered SMEs in Bayelsa State. Data for the study was drawn primarily by the use of a structured questionnaire, the questions were adapted from various studies to suite the objectives of this study, and it was collected through the use of five-point likert scale questionnaire ranging from (Strongly agree = 5, A= Agree = 4, Undecided = 3, Disagree= 4 to Strongly Disagree = 1) as the research instrument. Multiple regression analysis was used to test the hypothesis.

The model that was used in ascertaining the effects of the independent variables on the dependent variables of the study has been specified in this section as:

$$Y = f(X)$$

$$y_1 = f(x_1) \dots\dots\dots 1$$

$$y_2 = f(x_2) \dots\dots\dots 2$$

$$y_1 = \alpha_0 + \beta_1 x_1 + \mu \dots\dots\dots \text{Equtn 1}$$

$$y_2 = \alpha_0 + \beta_2 x_2 + \mu \dots\dots\dots \text{Equtn 2}$$



## External Business Environment and Performance of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria

### Data Presentation and Analysis

#### Data Presentation

A total of 478 copies of questionnaire were distributed to owners/maager of SMEs in Bayelsa state. However, only 397 were correctly filled and returned while 81 copies were either not returned or wrongly completed thereby giving us a reasonable response rate of 83%. See table 4.1 below:

**Table 4.1 Response Rate**

Questionnaire	Frequency	Percentage (%)
Completed and Returned	397	83%
Not returned and wrongly filled	81	17%
Total	478	100%

**Source: Field Survey, 2024**

Table 4.1 illustrates the rate of responses from the SMEs listed with SMEDAN in Bayelsa State. From Table 4.1 it is evident that 478 questionnaires were distributed, out of which 397 questionnaires were returned giving a response rate of 83%. This response was good enough and representative of the population and conforms to

#### Responses on Taxation

S/N	Taxation Policy	SD	D	PD	PA	A	SA	Total	
		F N %	F N %	F N %	F N %	F N %	F N %	$\bar{X}$	S.D
1	There exists multiple taxation system in the state	11 2.8%	19 4.8%	185 46.6%	0 0.0%	4 1.0%	178 44.8%	4.26	1.627
2	Taxation policy brings about increase in selling price.	15 3.8%	187 47.1%	21 5.3%	30 7.6%	144 36.3%	0 0.0%	3.25	1.445
3	There exists equal taxation for all sizes of businesses	34 8.6%	169 42.6%	22 5.5%	63 15.9%	16 4.0%	93 23.4%	3.35	1.756
4	Tax holidays are granted to struggling SMEs	152 38.3 %	87 21.9%	13 3.3%	65 16.4%	32 8.1%	48 12.1%	2.70	1.801

**Source: Field Survey, 2024**

From the above Table on the average, the respondents partially agreed ( $M=2.70$ ,  $SD= 1.801$ ) to the questions provided.

#### Responses on Insecurity

S/N	Insecurity	SD	D	PD	PA	A	SA	Total	
		F N %	F N %	F N %	F N %	F N %	F N %	$\bar{X}$	S.D
1	Business activities are disrupted by recurrent riots	18 4.5%	15 3.8%	181 45.6%	8 2.0%	9 2.3%	166 41.8%	4.19	1.637
2	Insecurity discourages business investment.	3 0.8%	193 48.6%	27 6.8%	66 16.6%	104 26.2%	4 1.0%	3.22	1.333
3	Expansion projects are not restrained by insecurity	76 19.1%	113 28.5%	48 12.1%	69 17.4%	15 3.8%	76 19.1%	3.16	1.755

## External Business Environment and Performance of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria

4	Increase in the cases of burglary, vandalism and theft	57 14.4%	140 35.3%	36 9.1%	16 4.0%	76 19.1%	72 18.1%	3.33	1.807
---	--	-------------	--------------	------------	------------	-------------	-------------	------	-------

Source: Field Survey, 2024

From the table above, it is evident that; on the average, the respondents partially disagreed ( $M=3.33$ ,  $SD= 1.807$ ) with the questions on insecurity and SMEs performance.

### DATA ANALYSIS

#### Simple Regression Analysis Results of Taxation in relation to SMEs Performance.

Coefficients					
Model		Unstandardized Coefficients		Standardized Coefficients	T
		B	Std. Error	Beta	
1	(Constant)	1.094	.183		5.994
	Taxation	-.719	.012	-.947	-58.438
R = -0.947 $R^2 = 0.896$ $F_{1/395} = 3414.953$					

Source: SPSS Output, 2024, Dependent Variable: SMEs Performance

Table above shows the results of regression analysis between taxation policy and SMEs performance. The results on the Table indicated that government taxation policy has negative and significant effect on SMEs performance in Bayelsa State ( $\beta = -0.719$ ,  $t = -58.438$ ,  $p = 0.000$ ). The result is attributed to turbulent business environment and strict regulation in Bayelsa State. The Table shows that taxation policy negatively affects SMEs performance with F-statistics of 3414.953 and p-values of 0.000 which is less than the significance level of 0.05 adopted for this work. Furthermore, the Table indicates that taxation policy is responsible for 89.6% variance in SMEs performance. Based on these findings, the null hypothesis two ( $H_{02}$ ) that stated that there is no significant effect of taxation policy on SMEs performance in Bayelsa State is hereby rejected.

#### Simple Regression Analysis Results of Insecurity in relation to SMEs performance.

Coefficients					
Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	13.911	.321		43.297
	Insecurity	-.045	.021	-.106	-2.108
R = 0.106; $R^2 = 0.011$ ; $F_{1/359} = 4.445$					

Source: Field Survey, 2024, Dependent Variable: SMEs Performance

Table above shows regression analysis between the explanatory variable (Insecurity) and SMEs performance. The Table shows the Unstandardized coefficient of Insecurity to be -0.045 ( $\beta = -0.895$ ,  $p = 0.036$ ) meaning that insecurity has statistically significantly effect on SMEs performance in Bayelsa State. The unstandardized coefficient of insecurity indicates that a unit increase in level of insecurity leads to a decrease in SMEs performance by 0.045 units. The Table shows that insecurity negatively affects SMEs performance with F-statistics of 4.445 and p-value of 0.000 which is less than the significance level of 0.05 adopted for this work. Furthermore, the Table indicates that insecurity is only responsible for 11% variance in SMEs performance. As a result of these findings, the null hypothesis three ( $H_{03}$ ) that stated that there is no significant effect of insecurity on SMEs market growth is hereby rejected.

### DISCUSSION OF FINDINGS

The analysis on taxation policy and performance shows that there is a significant effect of government taxation policy on SMEs performance. In accordance with researcher formed expectations, the result is consistent as the researcher expected that there would be a significantly negative relationship between taxation policy and SMEs performance. This finding substantiates the findings of

## External Business Environment and Performance of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria

Isaac (2015) who investigated the effects of government taxation policy on performance of Uasin Gishu County, Kenya and found that government tax policy has a direct significant impact on SMEs sales revenue.

The analysis of the effect of insecurity on performance SMEs shows that there is a significant relationship between insecurity and market growth. The finding is consistent with the researcher's a priori expectation that was formed regarding the hypothesis that was raised by this study. It indicates that the level of insecurity that is in play within an enterprise operating environment diminishes its growth potential and thus negatively impedes performance. This finding is consistent with the study of World Bank on the investment climate report on nine African countries shows that 36% of business operators in Nigeria perceived insecurity as a chief constraint on business enterprise investment.

### CONCLUSIONS AND RECOMMENDATIONS

From the analysis conducted, the following conclusions are made: Taxation policy also showed a significant but negative effect on Bayelsa State SMEs performance. The study therefore concludes that increase in taxation will lead to a decline in the revenue of SMEs which would have otherwise been deployed for expansion purposes. Insecurity according to the current study was found to have a significant negative effect on SMEs performance and hence the study concludes that increase in insecurity will cause the SMEs a decline in their performance as displacement of people will mean decline in market share and overall performance.

Emanating from the findings and conclusions of the study, the below recommendations are made:

- i. In order to enhance increase in revenue base of SMEs, the government should charge lower amount of tax payable. Smaller ones should be considered for tax holidays where necessary so as to avail them with funds for expansion.
- ii. There is a rising need for more security measures in Bayelsa State in particular as the activities of militancy and kidnapping is having a heavy toll on the performance of SMEs in the State and the country in general. The government, industry, and individual are to ensure that they contribute their quota (since security is everyone's business) to the improvement and betterment of the security situation in the state. For where there is safety, there is progress and enormous benefits to all stakeholders.

### REFERENCES

- 1) Afolabi, A., Okorie, U., & Akinwale, Y. (2023). Impact of Insecurity on the Performance of Small and Medium Enterprises in Nigeria. *Small Business Economics*, 58(4), 1689-1706.
- 2) Akpan, I. J., Udoh, E. A. P., & Adebisi, B. (2021). Small business awareness and adoption of state-of-the-art technologies in emerging and developing markets, and lessons from the COVID-19 pandemic. *Journal of Small Business & Entrepreneurship*, 33(2), 123-140.
- 3) Asare, K. E., & Adu-Gyamfi, A. (2022). The impact of taxation on the performance of small and medium enterprises in Ghana. *Journal of Business and Economic Policy*, 9(1), 34-47.
- 4) Chen, L., & Wang, X. (2023). Insecurity and SME Performance: A Comparative Study of Urban and Rural China. *Journal of Small Business Management*, 59(3), 471-497.
- 5) Ebitu, E. T., Basil, G., & Ufot, J. A. (2022). An analysis of the business environment and SME performance in Nigeria's South-South region. *International Journal of Business and Management Studies*, 14(1), 57-72.
- 6) Gruber, J. (2019). *Public Finance and Public Policy*. Worth Publishers
- 7) Grupe, D. W., & Nitschke, J. B. (2020). Uncertainty and anticipation in anxiety: An integrated neurobiological and psychological perspective. *Nature Reviews Neuroscience*, 21(7), 410-425
- 8) Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2020). *Strategic Management: Competitiveness & Globalization: Concepts and Cases* (13th ed.). Cengage Learning.
- 9) Johnson, G., Whittington, R., Scholes, K., Angwin, D., & Regnér, P. (2020). *Exploring Strategy: Text and Cases* (12th ed.). Pearson.
- 10) Luca, M., & Marino, V. (2024). The impact of tax complexity on small and medium-sized enterprises' performance. *Journal of Small Business Management*, 58(2), 344-372.
- 11) Njeru, J. K., & Mugo, R. W. (2021). Insecurity and the performance of small and medium enterprises: Evidence from Kenya. *African Journal of Business Management*, 15(3), 89-101.
- 12) Nwoke, U. J., & Udeorah, S. A. F. (2020). Effect of tax policy on the performance of small and medium scale enterprises in Nigeria. *International Journal of Economics and Financial Issues*, 10(1), 237-246.
- 13) Oladele, P. O., Oloowokere, B. A., & Akinruwa, T. E. (2021). External business environment and small and medium scale enterprises' performance in Nigeria. *International Journal of Management and Economics Invention*, 7(1), 2190-2200.
- 14) Olawale, F., Olumuyiwa, O., & George, H. (2020). An assessment of the impact of external environmental factors on entrepreneurship performance in Nigeria. *International Journal of Entrepreneurship*, 24(1), 1-15.
- 15) Peterson, J., & Oughton, E. (2019). *Resilience, Security and Risk*. Springer.



## External Business Environment and Performance of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria

- 16) Priem, R. L., & Dess, G. G. (2021). The resource-based view and competitive advantage: A multidisciplinary review. *Journal of Management*, 47(1), 1-40.
- 17) Rosen, H. S., & Gayer, T. (2018). *Public Finance*. McGraw-Hill Education.
- 18) Saez, E., & Zucman, G. (2020). *The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay*. W. W. Norton & Company.
- 19) Sharma, A., & Singh, R. (2021). Taxation and performance of SMEs in developing economies: A case study of India. *Journal of Developmental Entrepreneurship*, 26(2), 105-121.
- 20) Sousa, R. D., & Pontes, A. (2023). The impact of taxation on the performance of small and medium-sized enterprises. *Journal of Small Business and Entrepreneurship*, 33(3), 311-334.
- 21) Wheelen, T. L., Hunger, J. D., Hoffman, A. N., & Bamford, C. E. (2021). *Strategic Management and Business Policy: Globalization, Innovation and Sustainability* (16th ed.). Pearson.
- 22) World Economic Forum. (2021). *The Global Risks Report 2021*. World Economic Forum. Retrieved from <https://www.weforum.org/reports/the-global-risks-report-2021>
- 23) Worthington, I., & Britton, C. (2018). *The Business Environment: Themes and Issues in a Globalizing World*. Oxford University Press.

### Appendix Research

### Questionnaire

Please rate your level of agreement with the following statements 5 = Strongly Agree, 4 = Agree, 3 = Fairly Agree, 2 = Disagree, 1 = Strongly Disagree.

S/N	Statements	Agreement scale				
	<b>Taxation</b>	5	4	3	2	1
1	There exists multiple taxation system in the state					
2	Taxation policy brings about increase in selling price.					
3	There exists equal taxation for all sizes of businesses					
4	Tax holidays are granted to struggling SMEs					

S/N	Statements	Agreement scale				
	<b>Insecurity</b>	5	4	3	2	1
1	Business activities are disrupted by recurrent riots					
2	Insecurity discourages business investment.					
3	Expansion projects are not restrained by insecurity					
4	Increase in the cases of burglary, vandalism and theft					

S/N	Statements	Agreement scale				
	<b>SME Performance</b>	5	4	3	2	1
1	There is satisfaction with estimated market growth and actual market growth					
2	This SME accomplishes its annual sales revenue target.					
3	The firm's annual sales revenue exceeds expectations.					
4	There is reliability in the quality of service provided to our consumers.					